

ATTORNEY GENERAL OF THE STATE OF NEW YORK
INVESTOR PROTECTION BUREAU

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IN THE MATTER OF :
 :
CREDIT SUISSE SECURITIES (USA) LLC. :
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**ASSURANCE OF DISCONTINUANCE
PURSUANT TO EXECUTIVE LAW § 63(15)**

On April 28, 2008, the Office of the Attorney General of the State of New York (the “Attorney General”), commenced an investigation, pursuant to Article 23-A of the General Business Law (the “Martin Act”), of Credit Suisse Securities (USA) LLC (“Credit Suisse”), concerning Credit Suisse’s marketing, sale and distribution of auction rate securities (the “Investigation”). This Assurance of Discontinuance (“Assurance”) contains the findings of the Attorney General’s Investigation and the relief agreed to by the Attorney General and Credit Suisse.

FINDINGS

The Attorney General finds as follows:

I. Relevant Entity

1. Credit Suisse is a Delaware limited liability company that is licensed to do business in the State of New York. Its principal executive offices are located in New York City. Credit Suisse is a registered broker/dealer and investment adviser offering brokerage and investment products and services to investors across the United States.

II. Background on Auction Rate Securities

2. Auction rate securities are long-term bonds issued by municipalities, corporations and student loan companies, or perpetual equity instruments issued by closed end mutual funds, with variable interest rates that reset through a bidding process known as a Dutch auction.

3. At a Dutch auction, bidders generally state the number of auction rate securities they wish to purchase and the minimum interest rate they are willing to accept. Bids are ranked, from lowest to highest, according to the minimum interest rate each bidder is willing to accept. The lowest interest rate required to sell all of the auction rate securities available at auction, known as the “clearing rate,” becomes the rate paid to all holders of that particular security until the next auction. The process is then repeated, typically every 7, 28 or 35 days.

4. When there are not enough orders to purchase all of the auction rate securities being sold, a “failed” auction occurs. In the event of a failed auction, investors cannot sell their auction rate securities.

5. Credit Suisse was an underwriter for a limited number of auction rate securities offerings. Credit Suisse also acted as a manager for certain issues of auction rate securities. When acting as sole manager, Credit Suisse was the only firm that could submit bids into the auction on behalf of its clients and/or other broker-dealers who wanted to buy and/or sell those auction rate securities. When acting as a co-lead manager, Credit Suisse and the other co-lead managers could directly submit orders into the auction for their clients as well as for other broker-dealers and their clients. Credit Suisse received revenue in connection with auction rate securities, including

underwriting fees representing a percentage of total issuance and a fee for managing the auctions.

III. Credit Suisse Made Misrepresentations to Certain Investors in Connection With the Sale of Auction Rate Securities

6. Credit Suisse represented to certain of its customers that auction rate securities were liquid investments that were alternatives to money market funds as part of a strategy for cash management. It did so through sales representatives, who represented to certain investors that auction rate securities were highly liquid, highly rated alternatives to money market investments and other cash equivalent investments.

7. These representations were misleading as to certain investors. In fact, auction Rate securities were different from cash and money market funds. As discussed above, the liquidity of an auction rate security relied on the successful operation of the Dutch auction process. In the event of a failed auction, investors can not sell their auction rate securities and are stuck holding long-term investments, not cash equivalent securities. As discussed below, starting in the Fall of 2007, the auction rate securities market faced dislocation and an increased risk of failure.

8. Over many years, Credit Suisse submitted support bids, purchase orders for some or all of an auction rate security issue for which it acted as the sole or lead manager. Support bids were Credit Suisse proprietary orders that would be filled, in whole or in part, if there was otherwise insufficient demand in an auction. When Credit Suisse purchased auction rate securities through support bids, those holdings were recorded on Credit Suisse's balance sheet.

9. Because investors could not ascertain how much of an auction was filled through Credit Suisse's and other lead managers' proprietary trades, investors could not

determine if auctions were clearing because of normal marketplace demand, or because Credit Suisse was making up for the lack of demand through support bids. Generally, investors were also not aware of the extent to which the auction rate securities market was dependent upon Credit Suisse's and other broker-dealers' use of support bids for its operation. While Credit Suisse could track its own inventory as a measure of the supply and demand for auction rate securities for which it was a sole, lead or co-lead manager, ordinary investors had no comparable ability to assess the operation of the market. There was no way for investors to monitor supply and demand in the market or to assess when broker-dealers may decide to stop supporting the market, which could cause its collapse.

IV. By the Fall of 2007, The Auction Rate Securities Market Faced Dislocation

10. In August 2007, the credit crisis and other deteriorating market conditions strained the auction rate securities market. Some institutional investors withdrew from the market, decreasing demand for auction rate securities.

11. The potential of a market dislocation should have been evident to Credit Suisse. In those auctions where Credit Suisse was a sole or lead manager, Credit Suisse's support bids filled the increasing gap in the demand for auction rate securities, sustaining the impression that the auction process was functioning.

12. From the Fall of 2007 through February of 2008, demand for auction rate securities continued to erode and Credit Suisse's auction rate securities inventory grew. Credit Suisse was aware of the increasing strains on the auction rate securities market and increasingly questioned the viability of the auction rate securities market. Credit

Suisse did not provide written disclosure of these increasing risks of owning or purchasing auction rate securities to its customers until January 28, 2008.

13. In February 2008, Credit Suisse and other firms stopped supporting the auctions. Without the benefit of support bids, the auction rate securities market collapsed, leaving investors who thought they were buying liquid investments instead holding long-term or perpetual securities they were unable to sell at par value.

V. Violations

14. The foregoing acts and practices of Credit Suisse violated the Martin Act, Article 23-A of the General Business Law.

15. The foregoing acts and practices of Credit Suisse violated § 349 of the General Business Law.

16. The foregoing acts and practices of Credit Suisse violated § 63(12) of the Executive Law.

AGREEMENT

WHEREAS, the parties agree to settle allegations that Credit Suisse's conduct violated the Martin Act, General Business Law § 349 and Executive Law § 63(12) and the Attorney General can bring an action when misrepresentations are made in connection with the sale of securities and scienter need not be proven to establish a violation of the Martin Act, General Business Law § 349 and Executive Law § 63(12);

WHEREAS, Credit Suisse neither admits nor denies the Attorney General's Findings set forth above;

WHEREAS, the Attorney General is willing to accept the terms of the Assurance pursuant to New York Executive Law § 63(15), and to discontinue, as described in paragraph 56 below, its Investigation of Credit Suisse;

WHEREAS, the parties each believe that the obligations imposed by this Assurance are prudent and appropriate;

IT IS HEREBY UNDERSTOOD AND AGREED, by and between the parties, that:

I. Relief for Auction Rate Security Investors

A. Buybacks from Auction Rate Securities Investors

17. Credit Suisse will provide liquidity to Eligible Investors by buying-back Eligible Auction Rate Securities that since February 14, 2008 have not been auctioning, at par, in the manner described below.

18. “Eligible Auction Rate Securities,” for the purposes of this Assurance, shall mean auction rate securities purchased on or before February 13, 2008, into Credit Suisse Accounts. “Credit Suisse Accounts,” for the purposes of this Assurance, shall mean accounts on the books and records of the Private Banking USA business within Credit Suisse.

19. “Eligible Investors,” for the purposes of this Assurance, shall mean:

- i. Natural persons (including their IRA accounts, testamentary trust and estate accounts, custodian UGMA and UTMA accounts, and guardianship accounts) who purchased Eligible Auction Rate Securities in Credit Suisse Accounts;

- ii. Charities, endowments or foundations with Internal Revenue Code Section 501(c)(3) status that purchased Eligible Auction Rate Securities in Credit Suisse Accounts; and
- iii. Small Businesses that purchased Eligible Auction Rate Securities in Credit Suisse Accounts. For purposes of this provision, “Small Businesses” shall mean Credit Suisse customers not otherwise covered in paragraph 19(i) and (ii) above that had \$10 million or less in assets in their accounts with Credit Suisse, net of margin loans as determined by the customer’s aggregate household position(s) as of February 13, 2008, or, if the customer was not a customer of Credit Suisse as of February 13, 2008, as of the date that the customer transferred the substantial portion of their assets from Credit Suisse. Notwithstanding any other provision, “Small Businesses” does not include broker-dealers, banks, Registered Investment Advisers, other investment firms or investment institutions regardless of whether any of the foregoing were acting for their own account or as conduits for their customers; or customers that had total assets of greater than \$50 million as of February 13, 2008.
- iv. In no event shall Credit Suisse be required by this Assurance to purchase more than \$10 million of auction rate securities from any Small Business.

20. No later than October 3, 2008, Credit Suisse shall have offered to purchase, at par plus accrued and unpaid dividends/interest, from Eligible Investors their

Eligible Auction Rate Securities that since February 14, 2008 have not been auctioning (“Buyback Offer”), and explained what Eligible Investors must do to accept, in whole or in part, the Buyback Offer. The Buyback Offer shall have remained open until at least December 11, 2008 (“Offer Period”). Credit Suisse may extend the Offer Period beyond this date.

21. Credit Suisse shall have undertaken its best efforts to identify and provide notice to Eligible Investors who invested in Eligible Auction Rate Securities that have not been auctioning since February 14, 2008 of the relevant terms of this Assurance by October 3, 2008. Until December 31, 2010, Credit Suisse shall continue to undertake its best efforts to identify and provide notice of the relevant terms of the settlement reflected in this Assurance to such Eligible Investors not previously identified and allow such Eligible Investors and opportunity to participate in the relief provided herein.

22. Eligible Investors may have accepted the Buyback Offer by notifying Credit Suisse at any time before midnight, Eastern Time, December 11, 2008, or such later date and time as Credit Suisse may extend the Offer Period. For Eligible Investors who accept the Buyback Offer within the Offer Period, Credit Suisse shall have purchased the Eligible Auction Rate Securities on or before December 11, 2008 or, for acceptances received pursuant to paragraph 23, as promptly practical after receiving the acceptance.

23. Up to and including December 31, 2010, any Eligible Investor who for good cause (including but not limited to incapacity or failure to receive the notice provided for in paragraph 21) did not accept the Buyback Offer pursuant to paragraph 22 above, shall be entitled to sell their Eligible Auction Rate Securities, at par, to Credit

Suisse for (30) days after establishing such good cause, and Credit Suisse shall purchase such Eligible Investor's Eligible Auction Rate Securities promptly.

24. No later than October 3, 2008, Credit Suisse shall establish: a) a dedicated telephone assistance line, with appropriate staffing, to provide information and to respond to questions concerning the terms of this Assurance. Credit Suisse shall maintain a toll-free telephone assistance line through December 31, 2009.

25. Credit Suisse shall establish and maintain through December 31, 2009 a public Internet page on its corporate Web site(s), with a prominent link to that page appearing on Credit Suisse's relevant homepage(s), to provide information concerning the terms of this Assurance and, via an e-mail address or other reasonable means, to respond to questions concerning the terms of this Assurance.

B. Relief for Eligible Investors Who Sold Below Par

26. By December 11, 2008, Credit Suisse shall have undertaken its best efforts to identify any Eligible Investor who sold Eligible Auction Rate Securities below par between February 14, 2008 and September 9, 2008 and paid them the difference between par and the price at which the investor sold the Eligible Auction Rate Securities. Credit Suisse will undertake its best efforts to identify and pay, as soon as reasonably possible, any Eligible Investors identified thereafter who sold Eligible Auction Rate Securities below par between February 14, 2008 and September 9, 2008.

C. Reimbursement for Related Loan Expenses

27. Credit Suisse shall make best efforts to identify Eligible Investors who took out loans from Credit Suisse, between February 14, 2008 and December 11, 2008, that were secured by Eligible Auction Rate Securities that were not successfully

auctioning at the time the loan was taken out from Credit Suisse, and paid interest associated with the auction rate securities based portion of those loans in excess of the total interest and dividends received on the auction rate securities during the duration of the loan. Credit Suisse shall reimburse such customers for the excess expense, plus reasonable interest thereon. Such reimbursement shall occur no later than July 1, 2009. This paragraph does not apply to margin loans.

D. Consequential Damages Arbitration Process

28. Credit Suisse shall consent to participate in a special arbitration (“Arbitration”) for the exclusive purpose of arbitrating any Eligible Investor’s consequential damages claim arising from their inability to sell Eligible Auction Rate Securities. Credit Suisse shall notify Eligible Investors of the terms of the Arbitration process through the notice described in paragraph 21 above.

29. The Arbitration shall be conducted by a single public arbitrator (as defined by section 12100(u) of the NASD Code of Arbitration Procedures for Customer Disputes, eff. April 16, 2007), under the auspices of FINRA. Credit Suisse will pay all applicable forum and filing fees.

30. Any Eligible Investors who choose to pursue such claims in the Arbitration shall bear the burden of proving that they suffered consequential damages and that such damages were caused by their inability to access funds invested in Eligible Auction Rate Securities. In the Arbitration, Credit Suisse shall be able to defend itself against such claims; provided, however, that Credit Suisse shall not contest liability for the illiquidity of the underlying auction rate securities position or use as part of its defense any decision by an Eligible Investor not to borrow money from Credit Suisse.

31. Eligible Investors who elect to use the special arbitration process provided for herein shall not be eligible for punitive damages, or for any other type of damages other than consequential damages.

32. All customers, including but not limited to Eligible Investors who avail themselves of the relief provided pursuant to this Assurance, may pursue any remedies against Credit Suisse available under the law. However, Eligible Investors that elect to utilize the special Arbitration process set forth above are limited to the remedies available in that process and may not bring or pursue a claim relating to Eligible Auction Rate Securities in another forum.

E. Institutional Investors

33. Credit Suisse shall endeavor to work with issuers and other interested parties, including regulatory and governmental entities, to expeditiously provide liquidity solutions for institutional investors not covered by Section I.A. above that purchased auction rate securities from Credit Suisse (“Institutional Investors”).

34. The Attorney General has refrained from taking legal action against Credit Suisse with respect to Institutional Investors. The Attorney General shall issue continuances as it deems appropriate.

35. Beginning December 11, 2008, and continuing on a quarterly basis after that until no later than December 31, 2009, Credit Suisse shall submit written reports to the Attorney General outlining Credit Suisse’s efforts to provide liquidity solutions for Institutional Investors and the results thereof. Credit Suisse shall confer with the Attorney General on a quarterly basis to discuss Credit Suisse’s progress to date. Such quarterly reports and meetings shall continue until no later than December 31, 2009.

Following every quarterly meeting, the Attorney General shall advise Credit Suisse of any concerns regarding Credit Suisse's progress in providing liquidity solutions for Institutional Investors and, in response, Credit Suisse shall detail the steps that Credit Suisse plans to implement to address such concerns. The reporting or meeting deadlines set forth above may be amended with written permission from the Attorney General.

F. Penalty and Remedial Procedures

36. No later than July 15, 2009, Credit Suisse shall pay a total civil penalty of FIFTEEN MILLION (\$15,000,000), of which \$1,603,595.81 shall be paid to the State of New York, and the remainder to those states and territories that enter administrative or civil consent orders approving the terms of the NASAA settlement. The payment shall be by wire or in the form of a certified or bank check made out to "State of New York" and mailed to: Office of the Attorney General of the State of New York, 120 Broadway, 23rd Floor, New York, New York, 10271, Attn: David A. Markowitz, Chief, Investor Protection Bureau.

37. Credit Suisse agrees that it shall not, collectively or individually, seek or accept, directly or indirectly, reimbursement or indemnification, including, but not limited to, payment made pursuant to any insurance policy, with regard to any or all of the amounts payable pursuant to paragraph 36 above.

G. Other Relief

38. Credit Suisse admits the jurisdiction of the Attorney General. Credit Suisse will cease and desist from engaging in any acts in violation of the Martin Act, General Business Law § 349 and/or Executive Law § 63(12) and will comply with the Martin Act, General Business Law § 349 and Executive Law § 63(12).

II. Other Provisions

39. The Attorney General retains the right under Executive Law § 63(15) to compel compliance with this Assurance. Evidence of a violation of this Assurance proven in a court of competent jurisdiction shall constitute prima facie proof of a violation of the Martin Act, General Business Law § 349 and/or Executive Law § 63(12) in any civil action or proceeding hereafter commenced by the Attorney General against Credit Suisse.

40. Should the Attorney General prove in a court of competent jurisdiction that a material breach of this Assurance by Credit Suisse has occurred, Credit Suisse shall pay to the Attorney General the cost, if any, of such determination and of enforcing this Assurance, including without limitation legal fees, expenses and court costs.

41. If Credit Suisse defaults on any obligation under this Assurance, the Attorney General may terminate this Assurance, at his sole discretion, upon 10 days written notice to Credit Suisse. Credit Suisse agrees that any statute of limitations or other time related defenses applicable to the subject of the Assurance and any claims arising from or relating thereto are tolled from and after the date of this Assurance. In the event of such termination, Credit Suisse expressly agrees and acknowledges that this Assurance shall in no way bar or otherwise preclude the Attorney General from commencing, conducting or prosecuting any investigation, action or proceeding, however denominated, related to the Assurance, against Credit Suisse, or from using in any way any statements, documents or other materials produced or provided by Credit Suisse prior to or after the date of this Assurance, including, without limitation, such statements, documents or other materials, if any, provided for purposes of settlement

negotiations, except as may otherwise be provided in a written agreement with the Attorney General.

42. Except in an action by the Attorney General to enforce the obligations of Credit Suisse in this Assurance or in the event of termination of this Assurance by the Attorney General, neither this Assurance nor any acts performed or documents executed in furtherance of this Assurance: (a) may be deemed or used as an admission of, or evidence of, the validity of any alleged wrongdoing, liability or lack of wrongdoing or liability; or (b) may be deemed or used as an admission of or evidence of any such alleged fault or omission of Credit Suisse in any civil, criminal or administrative proceeding in any court, administrative agency or other tribunal. This Assurance shall not confer any rights upon persons or entities who are not a party to this Assurance.

43. Credit Suisse shall cooperate fully and promptly with the Attorney General and shall use its best efforts to ensure that all the current and former officers, directors, trustees, agents, members, partners and employees of Credit Suisse (and of any of Credit Suisse's parent companies, subsidiaries or affiliates) cooperate fully and promptly with the Attorney General in any pending or subsequently initiated investigation, litigation or other proceeding relating to auction rate securities and/or the subject matter of the Assurance. Such cooperation shall include, without limitation, and on a best efforts basis:

- (a) production, voluntarily and without service of subpoena, upon the request of the Attorney General, of all documents or other tangible evidence requested by the Attorney General and any compilations or summaries of information or data that the Attorney General requests that Credit Suisse (or the Credit Suisse's parent companies, subsidiaries or affiliates) prepare, except to the extent such production would require the disclosure of information protected by the attorney-client and/or work product privileges;

- (b) without the necessity of a subpoena, having the current (and making all reasonable efforts to cause the former) officers, directors, trustees, agents, members, partners and employees of Credit Suisse (and of any of the Credit Suisse's parent companies, subsidiaries or affiliates) attend any Proceedings (as hereinafter defined) in New York State or elsewhere at which the presence of any such persons is requested by the Attorney General and having such current (and making all reasonable efforts to cause the former) officers, directors, trustees, agents, members, partners and employees answer any and all inquiries that may be put by the Attorney General to any of them at any proceedings or otherwise, except to the extent such production would require the disclosure of information protected by the attorney-client and/or work product privileges; "Proceedings" include, but are not limited to, any meetings, interviews, depositions, hearings, trials, grand jury proceedings or other proceedings;
- (c) fully, fairly and truthfully disclosing all information and producing all records and other evidence in its possession, custody or control (or the possession, custody or control of the Credit Suisse parent companies, subsidiaries or affiliates) relevant to all inquiries made by the Attorney General concerning the subject matter of the Assurance, except to the extent such inquiries call for the disclosure of information protected by the attorney-client and/or work product privileges; and
- (d) making outside counsel reasonably available to provide comprehensive presentations concerning any internal investigation relating to all matters in the Assurance and to answer questions, except to the extent such presentations or questions call for the disclosure of information protected by the attorney-client and/or work product privileges.

44. In the event Credit Suisse fails to comply with paragraph 43 of the Assurance, the Attorney General shall be entitled to specific performance, in addition to any other available remedies.

45. The Attorney General has agreed to the terms of this Assurance based on, among other things, the representations made to the Attorney General by Credit Suisse, its counsel, and the Attorney General's own factual Investigation. To the extent that any

material representations are later found to be inaccurate or misleading, this Assurance is voidable by the Attorney General in its sole discretion.

46. Credit Suisse shall, upon request by the Attorney General, provide all documentation and information reasonably necessary for the Attorney General to verify compliance with this Assurance.

47. To the extent applicable, this Assurance hereby waives any disqualification from relying upon the registration exemptions or registration safe harbor provisions that may be contained in the federal securities laws, the rules and regulations thereunder, the rules and regulations of self regulatory organizations or any states' or U.S. Territories' securities laws. In addition, this Assurance is not intended to form the basis for any such disqualifications.

48. All notices, reports, requests, and other communications to any party pursuant to this Assurance shall be in writing and shall be directed as follows:

If to Credit Suisse:

Andrew J. Geist, Esq.
O'Melveny & Myers LLP
Time Square Tower
7 Times Square
New York, New York 10036

If to the Attorney General:

Office of the Attorney General of the State of New York
120 Broadway, 23rd Floor
New York, New York 10271
Attn: David A. Markowitz

49. This Assurance and any dispute related thereto shall be governed by the laws of the State of New York without regard to any conflicts of laws principles.

50. Credit Suisse consents to the jurisdiction of the Attorney General in any proceeding or action to enforce this Assurance.

51. Credit Suisse agrees not to take any action or to make or permit to be made any public statement denying, directly or indirectly, any finding in this Assurance or creating the impression that this Assurance is without factual basis. Nothing in this paragraph affects Credit Suisse's: (a) testimonial obligations; or (b) right to take legal or factual positions in defense of litigation or other legal proceedings to which the Attorney General is not a party.

52. This Assurance may not be amended except by an instrument in writing signed on behalf of all the parties to this Assurance.

53. This Assurance constitutes the entire agreement between the Attorney General and Credit Suisse and supersedes any prior communication, understanding or agreement, whether written or oral, concerning the subject matter of this Assurance. No representation, inducement, promise, understanding, condition or warranty not set forth in this Assurance has been relied upon by any party to this Assurance.

54. In the event that one or more provisions contained in this Assurance shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of this Assurance.

55. This Assurance may be executed in one or more counterparts, and shall become effective when such counterparts have been signed by each of the parties hereto.

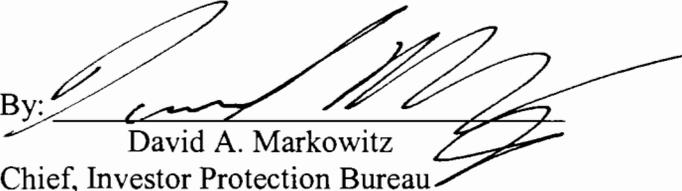
56. Upon execution by the parties to this Assurance, the Attorney General agrees to suspend, pursuant to Executive Law § 63(15), this Investigation as and against

Credit Suisse solely with respect to its marketing and sale of auction rate securities to Eligible Investors.

57. Any payments and all correspondence related to this Assurance must reference AOD # 08-183.

WHEREFORE, the following signatures are affixed hereto on the dates set forth below.

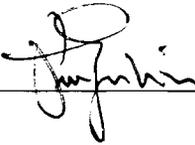
ANDREW M. CUOMO,
Attorney General of the State of New York

By: 
David A. Markowitz
Chief, Investor Protection Bureau

120 Broadway
23rd Floor
New York, New York 10271
(212) 416-8198

Dated: 5/12, 2009

CREDIT SUISSE SECURITIES (USA) LLC

By: 

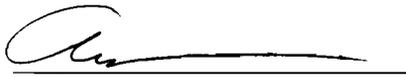
ACKNOWLEDGMENT - In New York County, New York

On this 25th day of June, 2009, before me personally came Pierre M Gentin, known to me, who, being duly sworn by me, did depose and say that he is the Managing Director of Credit Suisse Securities (USA) LLC, the entity described in the foregoing Assurance, and is duly authorized by Credit Suisse Securities (USA) LLC to execute the same, and that he signed his name in my presence by like authorization.


Notary Public
My commission expires:
May 18, 2010

JOHN J. MacDONALD
Notary Public, State Of New York
No. 01MA6007204
Qualified in New York County
Commission Expires May 18, 2010

Assurance of Discontinuance
Reviewed By:


ANDREW J GAST

Attorneys for Credit Suisse Securities (USA) LLC

Dated: June 25, 2009